CHAPTER – 2 - MIGRATION AND THE LABOUR MARKET

In the previous chapter, it was stated that migration is a function of what may be called, “push” and “pull” factors. Stalker¹ has summarized the various theories which influence migration, as under :-

(a) Neo Classical Economic Theory
This theory considers differences in the supply and demand for labour in home and host countries, and sees workers moving in response to higher wage rates. This theory can be applied at the individual level – workers move to maximize their returns on “human capital.”

(b) New Economics of Migration
This theory supports the view that migration arises not from individual choice but group decision-making – families or households. Sending earning members abroad, not only increases the family income, but also diversifies the source of income.

(c) Dual Labour Market Theory
This theory suggests that migration is not some intermediate phase, but has become a permanent and necessary phenomenon. Capital will always require people to do low level jobs, and, if this need is filled up by migration, so be it.

(d) World-systems Theory
This is an amalgamation of the various theories; this is an integration of the world economy, with the capitalist system, making deep inroads in the economics of the underdeveloped and developing nations.

It appears that the Dual Labour Market theory would have an enduring applicability. Stalker [ibid:133] says that globalization seems likely to increase the number of undesirable and dangerous jobs – the 3D jobs, noted in the previous chapter – “dirty, dangerous and difficult.” Over time, local populations would move irrevocably

away from these jobs, and, the vacuum would have to be filled up with migrant workers. It is not as if, this trend of 3D jobs lies in the traditional construction sites or chemical industries; even driving taxis is being rejected by the local population. For example, it is estimated that in Washington D.C., the proportion of foreign born taxi drivers rose from 25% to 85% in twenty five years [ibid].

Additionally, the demography of the developed nations would continue to keep the dependence on migrant workers, intact. If we recall the data of Table T1 in the previous chapter. it will be seen that all the GCC countries, have small population – 0.4 million in Qatar to 14.9 million in Saudi Arabia; with ambitious development plans, it is not possible for these countries to sustain that growth. on the strength of their national population – hence, dependence from 51% to 92% on foreign labour can be found in these countries. Therefore, it is possible to conclude that the labour market of host countries would retain their dependence on migrant labour; why this is so, would be clear by the end of this chapter.

2.1 THE LABOUR MARKET.

As a first step, we shall need to define the major characteristics of a labour market. more specifically, the manner in which it may differ from any other market place. Reynolds. et al (1986), have identified the following as the major characteristics of a labour market :

a) Multiplicity of Markets

They challenge the notion often popularity held, that, there is something called the labour market. In fact, labour markets are diverse, both in quality, i.e., the type of skill required and quantity, i.e., the number of persons required for each skill. This does not, however, mean that, labour markets are tight compartments – actually, their walls are porous; a major characteristic of a dynamic labour market is the movement of workers – both on the qualitative aspects and quantitative. This is what causes labour migration – persons with a specific skill moving from surplus to deficit areas, or, labour from a labour - surplus area moving to a labour - deficit area.

b) **No Central Clearing House**

It is a common characteristic of commodities markets that there are centralized points of sale, or at least, centralized points where prices are fixed; e.g., OPEC Countries decide the quantum of oil to be produced, and this impacts price at which crude oil is to be sold; or a stock-exchange, where prices of a specific stock may be fixed; to that extent, labour market do not, have any much characteristics.\(^3\) It may be argued that, Government – fixed minimum wages may be considered to be an attempt at uniformity of price – fixing, but, experience shows that this is neither theoretically sound, nor, practically enforceable.

c) **Workers not standardized**

In a product market, the goods for sale are largely standardized – more so if they are in the nature of raw materials or semi-finished goods; on the other hand, workers in the labour market differ from each other – they are virtually unique though their educational qualification may be the same, yet, their skill levels may differ, their attitude and aptitude may also differ. All these factors tend to make the labour market highly non-standardized.

d) **Continuity of employment relations**

In buying and selling commodities, each day is a new experience. What a consumer buys today, need not have any relation to what was bought in the past, or what would be bought in the future. But in the labour market, an employer would tend to engage labour, for a specific period, and, if need continues, may keep them for longer periods. This is economical for the employer because, with experience, the labour’s output would improve, and he would save hiring and training costs.

e) **Conditions of work**

Unless the commodity is of a perishable characteristic, or, requires any special system of storage and handling, the product and its utility are often intrinsic. This is not so in the labour market. The conditions of work are an important aspect and.

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\(^3\) Employment Exchanges and Recruiting Agencies may resemble a centralized market place – but just so.
often, performance of labour depends upon the “employment package.” High wage may not necessarily be an attraction to labour – this may be given, to off-set some unattractive aspect of the jobs – e.g., uncomfortable working condition, or, distant location of the work-place. It will be seen in later chapter, to what extent, conditions of work effect wages.

f) Worker’s inferiority in bargaining power

Another major characteristic of labour markets is the fact that this market is primarily a buyer’s market. Usually, the number of jobs-seekers exceeds the number of jobs available. Therefore, the “bargaining power” is with the employer/buyer. Of course, within the group of workers, those with greater skills, experience, etc. would have a greater bargaining power, than workers with less of those attributes.

2.2 THE SAUDI ARABIAN LABOUR MARKET

The above noted general characteristic of a labour market is useful to lay down the context, which would be examined, in subsequent chapters. It is not as if the above formulations are purely theoretical; it shall be seen that the Middle-East labour markets, and more specifically the Saudi Arabian labour market, carry the very same characteristics. In brief, it may be stated that the Saudi labour market is porous, because the Saudi economy is heavily dependent upon migrant workers; the market is very diverse and multiplicity of modes of recruitment, wages etc. prevails; the Saudi labour market attracts a wide array of workers – from highly qualified, technical workers to semi-skilled construction workers; of course, the element of continuity in the labour market is often missing, with annual contracts of employment, usually renewable, being the order of the day; conditions of work differ vastly within the Saudi labour market, with conditions in the construction sector, often being unsatisfactory; and lastly, and very important, as this study will indicate, the average worker in the Saudi labour market enjoys little “bargaining power,” enjoys very few protection and rights, and negligible non-monetary privileges. Therefore, it may be stated that subject to some modifications, the Saudi labour market is akin to any other labour market.
2.3 LABOUR FORCE ACCRETION

Before analyzing the labour demand and supply equilibrium, it would be necessary to set out, the population base and its effect on the labour market. A country's population increases by virtue of the net accretion to the domestic population, i.e., the difference between birth and death. This is the natural mode of increase in any country's population. There is yet another method by which the country's population could increase, i.e., by way of immigration; the impact of immigration on the labour force is more direct and immediate, than that of natural increase. The main reason for this is that most immigrants are adults who go directly into the labour force. A country's population, more specifically its adult population, and in many places like Saudi Arabia, its male population, would determine the participation rate in labour force.

Labour force participation rate refers to that ratio between the country's total population to the population, which is in the labour force at a given time. An individual is considered to be in the labour force if he or she is able to work and, either has a job or is "actively seeking" work. Since this definition is very simple, it leaves much room for error. Therefore, economists believe that, instead of considering the labour force participation rate as a single figure, it would be preferable to consider it in terms of an approximation around that figure. In effect, if a country has a low participation rate, then, there is a likelihood that, the local labour market would have a labour deficit. However, this conclusion presupposes that the economy is vibrant and need for labour exists. Therefore, the question of deficit or surplus would depend upon the demand for labour. In other words, if demand for labour exceeds the supply, and, the local population has a low participation rate, then, to meet the demand for deficit labour, the alternative available would be in-migration of labour, to meet the specific needs. As without in-migration, the labour deficit would hamper the growth plans of the country. Consequently, it is necessary to consider on what factors do demand and supply of labour depend upon.
2.4 THE DEMAND FOR LABOUR

Nickell [1986] says that, "Workers who walkout of the factory gate on a Friday afternoon will typically return through the same gate on a Monday morning, if not before. This common place fact is indicative of the dynamic nature of the firm's demand for labour... the firm's demand for labour depends not only on current exogenous factors, but also on the initial size of the workforce and expectations about the future levels of such factory. The firm's demand for labour cannot therefore, be described by a static model." It therefore seems necessary to consider, in brief, what are the factors upon which the firm's demand for labour depends. Since our study is located at the macro-level, i.e., the nation-state of Saudi Arabia, for the limited purposes of this explanatory introduction, we shall consider the macro situation to be the sum total of the micro-level firms requirement for labour.

Arthur Butler [1961], in developing a basis for studying a firm's demand for labour states that: "The employer's demand for labour depends on what he expects an additional worker will add to his total revenue, less the cost he incurs for the additional factors necessary for employing this worker, called complimentary factors." This presupposes that an employer employs workers to maximize his profits, and not for any other reason. In a purely capitalist economy, as in Saudi Arabia, this presupposition appears to be extremely well-founded. The factors which affect a firm's, [and in our context, the nation’s] demand for labour depends upon the following factors:

a) **Demand for the final product**

Butler [ibid] states that "The employer's demand for labour is derived from the demand for the final product. Hence, the elasticity of the latter will condition the elasticity of the former." We can therefore conclude that, if the demand for a particular goods or services increases, and, if the level of technology involved remains the same, then, the employer's demand for labour would increase to meet up with the demand for that particular goods or services.

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b) **Availability of substitutes**

The employer’s demand for labour would be elastic or variable, if alternative techniques of production of goods or rendering services is available; if alternative techniques are available, even at a slightly higher cost, then the demand for labour would be elastic; however, if the alternative technique is either not available, or if available, is excessively costly, then, the employer would in all likelihood not adopt that alternative technique; in such an event, his demand for labour would be inelastic. In the present context, another factor, which has a bearing on the demand for labour has to be borne in mind. In industries or sectors, which are highly labour intensive, the elasticity of demand for labour would tend to be inelastic, notwithstanding the impact of technology, etc. As we shall see subsequently, the Saudi economy attracts large numbers of skilled and semi-skilled workmen - bricklayers, artisans, mechanics, etc. It is unlikely that technology would reduced the dependence on such workers.

c) **Availability of complements**

Complements are tools, machinery, etc. which are necessarily to be used by workers in the discharge of their functions. Therefore, an elasticity in the price of such tools etc., has an impact on the elasticity of labour demand. A decrease in wages may encourage an increase in employment. However, if the complementary goods are inelastic in supply, then, a higher price must be paid for the increased use of complementary goods; consequently, fewer additional workers are employed. This then is a factor which is contingent upon the use of technology in industrial activity. As stated earlier, such variations would differ from one sector to another, depending upon the labour intensiveness of a particular sector.

d) **Cost of labour as a proportion to total cost**

When the cost of labour represents a small proportion of the total cost of a particular goods or services, then the demand for labour in such situation would tend to be less elastic, i.e., if wage goes up, then, that may not result in a proportionate decrease in labour. It is said that such situations prevail in oil and chemical industries. In places where wage rates are relatively low, then, increase in wages would not have a
detrimental effect on the labour market. It shall be seen that the Saudi labour market attracts large numbers of skilled and semi-skilled workers, from the Indian sub-continent, at relatively low wages; of course, those relatively low wages compare very favourably with wages in the parent country, which is what attracts these workers. Therefore, if the wages for such skilled and semi-skilled workers were to go up in Saudi Arabia, it would not have a corresponding effect on the labour market.

e)  **Level of technology**

Often, the level of technology decides the quantum of labour to be utilised: or, sometimes, the type of technology would also determine it; e.g., if in a mechanised assembly line, there is a provision for one hundred workers, then, any number less than that adversely effects the working of that assembly line; in such a situation, the employer would either need to shut down the assembly line, or substitute the process by some other method. Of course, there is a classical aspect of this issue – trade unions have long argued that increase in utilisation of technology leads to reduction in employment; this, however, is not our issue – suffice to say that, for a particular manufacturing process, if manual labour is substituted by machines, then, it would have an adverse effect on the labour market, for that manufacturing process.

### 2.5 SUPPLY OF LABOUR

Having briefly considered the factors relevant for determining the demand for labour, it is now necessary to examine the factors which affect the supply of labour.

The following may be relevant for determining the supply of labour:

a)  **Labour force participation**

In an earlier section we have seen that labour force participation rate refers to that proportion of the population, which is either employed or employable. The participation rate is dependant upon many factors, the more important of which are, new workers entering the labour market from the educational system, changes in economic activity from agricultural to manufacturing, etc. Whilst these resources are of the traditional variety, an informal labour market is also developing around the
female workers - they often tend to be subsidiary bread - earners, and they are available often for short duration, without any long term commitments. There has been an interesting spin - off to this phenomenon - in the growth of what is known as SOHO - i.e. - Small Office, Home Office. It is not necessary for the worker to go out of the house, into the market place; the market place has entered the home, with increasingly large numbers of people working from home, on inter-connected computers, or otherwise. Of course, in our context, the Saudi economy is quite devoid of the female work force as, in the strict Islamic tradition, women are usually home – bound.

b) Mobility
This is an important source of labour. Butler [ibid:328] states that “By mobility of labour is meant the movement of workers from jobs to jobs in response to changing economic opportunities. Mobility may involve changing employers, industries, occupation, or geographical areas or any combination of the four.” (emphasis added). As we shall see subsequently, the Saudi labour market is heavily dependent on migrant workers, who play a crucial role in the Saudi economy. However, the nature of contract is such that, occupational mobility is heavily restricted. In the Saudi context, restricted mobility has both positive and negative impact on the Saudi labour market; at the micro level, it works to the benefit of the employer, because, his requirement for labour is always met; on macro terms, however, this would have a debiliting effect on the economy.

c) Seniority
Length of service is a major barrier to labour supply. The longer a worker works with a particular employer, the greater is the propensity of that worker to continue with that employer. It may be said that labour turnover is indirectly proportionate to length of service, with an employer, i.e., the longer the service, lesser the chance of change. However, in the context of Saudi Arabia, it will be seen that, in respect of jobs, which are towards the lower end of the labour market, the conditions of employment are such that long-term employment is not contemplated. In that event, mobility from one job to another, is common [subject to conditions, as shall be seen later], and there is a floating pool of manpower available in the Saudi labour market.
d) **Job Market Ignorance**

This is another barrier to labour supply. Theoretically at least, the labour market is fairly insular, with little or no information available to the general pool. Of course, vacancies are often announced in the media, but these refer to jobs in the organized sector. In the small sector, and more so far low level jobs, there is little information to the labour force. As far as the Saudi labour market is concerned, this problem does not arise, at the macro-level. In the large labour-pool of poor South Asian countries, the Saudi labour market is an Eldorado, a Kalpataru, with enough money to meet all dreams. The difficulty arises primarily in respect of availability of jobs at the micro-level. Because of networks of migrant workers, information about job-availability at the micro-level is disseminated. This is the reason, why friends, relatives, tend to work at close proximity with each other, or, even with the same employer. Therefore, job-market ignorance is not a key issue for the Saudi labour market. The Saudi labour market remains a popular and attractive destination for prospective migrant workers from the Asian countries, especially from South Asian countries.

e) **Individual inertia**

Is an important factor which comes in the way of labour supply. It is a common phenomenon that workers often tend to “stick” to their native or familiar places; in case, some distant area has a deficit of labour-supply, workers may avoid moving from that place, because of their personal inertia. This however, is not an impediment for migrant workers in the Saudi labour market. We shall see in subsequent chapters, as to how migrant workers overcome tremendous odds to reach the Saudi labour market.

f) **Barriers created by employers**

The personnel policies of employers affect the mobility of workers. Replacement of workers, on account of turnover, is an expensive proposition for employers, as costs are involved for recruitment, training, etc; as these are all avoidable items of expenditure. employers tend to motivate workers, atleast the good ones, to remain in their employment. In the context of the Saudi labour market, it is seen that employers
impose various conditions on their workers—often keeping their passports— for example—to restrict the movement of workers from one employer to another. It may therefore be stated that, in the Saudi labour market, the barriers created by employers are more relevant within the labour market, than from outside.

2.6 THE DEMAND SUPPLY GAP

Having examined the factors which affect the demand and supply of labour, it is now necessary to consider how the demand-supply gap is met.

a) Derived Demands

It is found that the demand for labour is a derived demand, i.e., no employer has demand for labour perse; he needs labour to meet the demand that exists for the goods that he may manufacture, or the services that he may provide. Therefore, if we are to determine the demand for labour, we would first have to determine the demand for a particular goods or services. In effect, in any economy, and more specifically in the Saudi economy, the demand for labour would depend upon the growth of the economy, and the direction, which it takes. This can be illustrated by the fact that after the oil price boom in 1973, the Saudi economy, along with others in the region, grew at a phenomenal rate; a first spin off of this was the growth, rather boom in the construction activity and other infrastructure projects and chemical industries which drew workers from the poor countries of South Asia in large numbers.

b) Balancing the Demand – Supply Gap

In case the demand for labour, in aggregate terms, or in respect of certain specific skills and qualities, outstrips the supply, then the economy would need to take certain corrective measures to bridge this gap. There are various ways of doing this – by upgrading technology, or by increasing the participation rates, or by encouraging prospective workers, still within the educational system to opt for careers in the deficit sector; it is generally believed that the easiest and fastest method would be to either encourage immigration (as Canada and New Zealand are presently doing) or, to encourage migration, as the Middle East has been doing for the last twenty five
years. If migration is the chosen panacea for bridging the short fall then, it needs to be examined in same detail. Before that, to conclude this theoretical analysis on labour markets – it is necessary to consider two aspects - viz. - cost of hiring and wage.

2.7 COST OF HIRING AND WAGE

Kerr [1977] says that two processes were visible in the American economy - wage rates are changing and individuals are moving among jobs. The two processes may or may not be inter-related, but, they make the labour market into a dynamic place. In the conventional sense, the labour market is the totality of jobs for which the same wage is paid, subject to local corrections. There is a growing tendency to consider the labour market defined in occupational, industrial, geographical terms, within which labour is willing to move.

a) Different types of Markets – Wage Levels

In what may be called the perfect market, the demand and supply of labour would be at the equilibrium, or atleast very close to it. However, if supply exceeds demand, then, some workers would remain unemployed, and wages will fall to the level where employers find it attractive to employ labour. If demand exceeds supply then, employers will be forced to offer higher wages, to attract labour to meet the shortfall. Another type of market may be called the Neo-classical market. Kerr (ibid) quotes Hicks [1935] who says that “… for the general tendency for the wages of labourers of equal efficiency to become equalized in different occupations … has become a common-place of economics since the days of Adam Smith…”

The natural market is characterized by the fact that wages cannot be said to be static or moving within a limited band. This was because the market set rather wide limits, and within these limits, the employers enjoyed some flexibility – in the form of non-wage benefits primarily. The institutional market is distinguished by the substitution of institutional rules for friction as the principal deteriation of job market limits;

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6 Clark Kerr. Labour Markets and Wage Determination, University of California Press, Berkeley, 1977
trade unions. Government, employer’s association, lobby for and get in place strong policies: the purpose of these policies is to curtail the free operation of demand and supply. Formal rules, consciously made, supplant informal market practices. In a fiercely regulated labour market [like the Saudi labour market, in many respects], the labour market no longer decides the wage pattern – it becomes hard, both for labour and capital, to enjoy flexibility in wage rates; in our context, all this makes migration difficult and, therefore, the natural consequence is that wage levels tend to dip.

b) Determinants of Wage Levels
This leads us to the conclusion that determinants for wage are complex and diverse. It cannot be said that it is based on any objective, scientific or natural basis alone: on the contrary, it also cannot be said to be purely uniform, localized and disparate. Since the mechanism operates in a complex paradigm, it is difficult to state the one single rule, which determines wage. Broadly, and for the limited purpose of our study, we can resort to one basic and fundamental formulation, which we have already stated earlier, that, price of a commodity or wage of labour, would, interalia depend upon the dynamics of demand and supply. On the whole, that which dominates in numbers, would suffer in monetary terms - i.e. - if demand is stronger than supply, then, wage will tend to be high, and capital would therefore suffer the consequences; conversely, if supply is greater than demand, then, wages will tend to be low and labour would suffer the consequences.

The Saudi labour market is highly regulated, both by Government policies, and exploitation by local employers. In effect, this may not be an ideal labour market; yet, it attracts labour from poor South Asian countries. This would tend to lower wages, both monetarily, and in non-wage aspects. The attraction of course does not diminish on this count. It could be presumed that, since Saudi Arabia has a deficient labour-supply, and demand outstrips supply, wages in the migrant labour market should be high. However, the Saudi labour market defies this strong theoretical premise, and, in effect, wages are manipulated in such a way, that they remain lower, than what they should have been. In a later chapter we shall examine, as to how the Saudi employers, convert their “deficit” of labour, into “surplus” of supply, by two methods – one, by strict entry barriers, interse competition between workers is
created, and this reduces wages; second, it may happen that the contracted wage may not be paid, and the worker be compelled to work for lower wage.

It is now necessary to return to the question of participation rates and meeting the shortfall through migration.

2.8 MIGRATION : FURTHER ANALYSIS

a) Preconditions for Migration

It is noted in an earlier section that, where local participation rates are low, the shortfall in labour supply may be met through migration. However, before going into the role of migrant labour in the Saudi economy, it would be useful to consider some theoretical premises on migration.

McConnell and Brue [1989] have identified, what they call determinants of migration. They consider age as the first determinant, and say that migration studies consistently find that age is a crucial factor determining the propensity of migrate. All things being equal, the younger the person, the greater would be the possibility of his migrating. The advancing age may mean that the difference in net wage may not be that significant, or, the increased family responsibilities may act as a barrier to migration. Family factors also play an interesting role in migration. Mincer [1978] found that (a) unmarried persons are more likely to migrate than married ones; (b) the wife’s employment inhibits family migration; (c) the longer the wife’s service, the less are the chances of the family migrating and (d) if there are school-going children, then, the family would have a reduced chance of migration. If we see the Saudi labour market in this context, we find that family factors do not work as an inhibiting factor. The nature of the employment contract is such that, only males are encouraged to migrate, alone; families are allowed in, only in respect of high-end jobs, which are mostly held by Americans or Europeans. Therefore, for the vast majority of workers who migrate into the Saudi labour market, they are allowed in alone. Workers also find this convenient, as they do not have to upset their domestic

arrangements - the family stays back in the parent country, and depends upon the
remittances of the worker.

Distance is another important factor in determining migration. It has been said that
the probability of migrating varies inversely with the distance a person must travel.
Whilst this may be true for intra-country migration, inter-country migration
necessarily involves long distance travel. Therefore, in our context distance cannot
be said to be a limiting factor.

b) Education – An Important Factor in Migration

For some geographical areas, e.g., North America, it may be said that education is an
important factor in migration. It is generally believed in those areas that, the higher
the educational qualification, the greater the chances of migration. It is interesting to
note that The Asian Age, Mumbai, of 14-2-2000, carried a News item titled: “US
Bill to raise cap on H-IB visas to prevent Labour Shortage.” The report, states that,
three influential senators, Orrin Hatch, Chairman of the Judiciary Committee,
Senator Spencer Abraham, Chairman of the Immigration Sub-Committee, and
Senator Phil Gramm, Chairman of the Banking Committee, introduced The
American Competitiveness in the 21st Century Act, to “allow for a necessary infusion
of hi-tech workers in the short-term.” The report goes on to say that this visa
category has over the past few years been dominated by Indian I.T. workers, who
garner nearly 40% of all such visas, followed by China at 10% and Canada at 6%.
The Bill seeks to increase the number of visas in this category by 80,000 for
financial year 2000, 87,500 for financial year 2001, and 1,30,000 for financial year
2002. However, it is not as if the Americans are waiting for all these additional
Indian and Chinese workers to arrive; the report notes that, even if the Bill is passed
in the Senate, it would meet with opposition in the House of Representatives, and
finally, at the White House, both of whom are not sympathetic to the claims of
American I.T. industry’s manpower requirements, and the White House would need
to pander to the pressures of the Labour Unions. The Labour Unions are sceptical
that such import of workers is at the detriment of the American labour-market, and
institutionalizes payment of below-market rates to these foreign workers. All this
indicates that, even in the so-called developed economies, like the USA, migrant
workers play a crucial role, and, allegedly, to the detriment of local workers. Of course, as we shall see in the Saudi labour market, due to low participation rates, and generally reduced levels of labour supply, migrant workers with high as well as low qualifications are needed. With the passage of time, as greater numbers of Saudis join the labour force, it is projected that in the long run, only low-end jobs may remain for migrant workers.

c) Unemployment – A Factor for Migration

However, the single most important determinant for migration is the level of unemployment at the place from where the migration is supposed to take place. High unemployment rates at the “source” location should increase the net benefits from migration. This would have the effect of “pushing” surplus workers to deficit areas. This is the reason why countries like India, Pakistan, and Bangladesh, with large populations and low employment rates, have been sources of migrant workers in the Saudi economy. This out-migration from these countries and in-migration into Saudi Arabia, has been economically beneficial to both places. This shall become apparent when we discuss the economic role of migrants in both the “source” and “destination” countries.

d) Some Quantitative Issues in Migration

Arnold and Shah\textsuperscript{10} quote Demery [1983],\textsuperscript{11} to say that at the relevant time, there were between two and three million Asian workers in the Middle East as a whole, which represented a ten-fold increase within as many years. This was caused by increase in oil revenues in and around 1973; the local labour supply was relatively small and lacked the necessary skills to carry out the ambitious development plans; this was accentuated by the disinclination of the local population for rigorous manual labour. The gap was filled, initially by Arab nationals from around the region and

\textsuperscript{9} During the period March/April 2000, Newspapers carried reports that the German Government was also planning to introduce similar measures; it was reported that nearly 80,000 Indian I.T. experts would be given work permits to meet the shortfall in that sector.

\textsuperscript{10} Fred Arnold, Nasra M. Shah, Research Notes – Asian Labour Migration to the Middle East, IMR, Vol.XVIII, No.2.

\textsuperscript{11} L. Demery, Asian Labour Migration to the Middle East: An Empirical Assessment.
thereafter by South Asians, and most recently by East Asians. Whilst the various aspects of this migration will be examined separately, it would for the present be relevant to consider the quantitative aspects of the in-migration into the regime: the same would then be examined specifically for Saudi Arabia and Kuwait.

The following table - T2. indicates the scale of migration from India to the Middle East from 1976 to 1983 :-

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of migrants from India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>4,200</td>
</tr>
<tr>
<td>1977</td>
<td>22,900</td>
</tr>
<tr>
<td>1978</td>
<td>69,000</td>
</tr>
<tr>
<td>1979</td>
<td>1,71,000</td>
</tr>
<tr>
<td>1980</td>
<td>2,36,200</td>
</tr>
<tr>
<td>1981</td>
<td>2,76,000</td>
</tr>
<tr>
<td>1982</td>
<td>2,39,545</td>
</tr>
<tr>
<td>1983</td>
<td>1,19,000</td>
</tr>
</tbody>
</table>

(Jan-Jun)

[Source: Arnold & Shah. Supra]

T2 shows that except for 1982 and 1983, there had been stupendous to steady increase in the number of Indian migrant workers to the Middle East. The table, T3, is country specific, in as much as it indicates the number and percentage of foreign nationals in the labour stock for Saudi Arabia and Kuwait :-

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>S. Arabia</td>
<td>475.32</td>
<td>1734.59</td>
<td>2662.65</td>
<td>2878.60</td>
</tr>
<tr>
<td>Kuwait</td>
<td>218.70</td>
<td>393.78</td>
<td>552.81</td>
<td>731.86</td>
</tr>
</tbody>
</table>

[Source: Stalker. 1994]

T3 reveals quite divergent trends for Saudi Arabia and Kuwait. In respect of Saudi Arabia, it is seen that from the base year of 1975, the number of migrant workers has increased nearly six times and percentage of foreign workers to nationals, has nearly
doubled: rather, in the decade of 1980-90, whilst the number of foreign workers has increased substantially, the percentage of that has stabilized at around 60%. This indicates that participation rates of the local population has increased proportionately. This may be a result of the Saudiaziation programme launched by the Government. The picture for Kuwait is quite different, in that, both numbers of foreign workers have increased, as also, their percentage to the local work force; this would mean that participation rates in Kuwait have not kept pace with the growth in number of foreign workers.

So far, in this chapter, we have examined various issues relating to demand and supply of labour, and how migration may be one method of bridging the gap between demand and supply. For our purposes, it is presumed that in-migration is the preferred mode of meeting this shortfall. However, migration and discrimination have a cause-and-effect relationship. Therefore, before concluding this chapter, it is necessary to introduce the theoretical framework of discrimination.

2.9 DISCRIMINATION IN THE LABOUR MARKET

a) Discrimination Defined
This chapter examines some theoretical propositions on the socio-economic aspects of labour markets and migration. This background is necessary to clear the context of Indian migration to Saudi Arabia. In the absence of such a framework, this migration may appear as stand-alone phenomenon, which it is not. Therefore, in continuation of our theoretical map-setting, one further issue which is pre-dominant in the Saudi labour market, needs to be introduced, and that is discrimination.

Discrimination may be defined as the act by which two persons, who have the same skills, knowledge, attributes, etc. are treated differently, simply because of their gender, race, religious belief—treated differently is euphemistically, treated in an inferior manner. As we shall see in our analysis of the Saudi labour market wide spread discrimination exists on account of race—Americans and Europeans are treated better than Asians, though they may be equally competent; Muslims are preferred to non-Muslims; amongst Muslims, because of political considerations,
Muslims from Pakistan are treated better than Muslims from India. Activists may take umbrage at this discrimination, but, our effort is to establish that this discrimination is in no way unique – it actually follows a theoretical pattern.

b) **Different types of Discrimination**

There are different types of discrimination, or, discrimination takes different shapes, at a theoretical level. One aspect of discrimination is wage discrimination. This would be the anti-thesis of equal pay for equal work – because of gender, race, religion- wage differentials would exist for considerations, other than productivity. Another form of discrimination relates to employment discrimination. This type of discrimination occurs when, all things being equal, a certain category of persons are discriminated against, in the employment market. There were reports that after the tacit support of India to Iraq during its invasion of Kuwait in 1991, and the demolition of the Babri Masjid in 1992, there was an underlying antipathy to Hindus from India, in the employment market in the Middle East.

Another type of discrimination is occupational discrimination. This means that a certain category of prejudiced persons are not allowed to cross the barrier of certain types of jobs – they are consigned to do low level jobs, even if they are over-qualified for them. It is reported that, and some may say quite naturally, in the Saudi labour market. Saudis have a tendency of not taking up menial jobs – they prefer to leave those to Indians and Pakistanis.

The above brief analysis of some theoretical aspects on discrimination at the market place, is meant to put the Saudi labour markets’ inherent system of discrimination in a theoretical perspective. In our attempt to examine the socio-legal aspects of the Saudi labour market. it is hoped that this theoretical perspective would prove useful.